

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

INSTITUTIONAL COST CONTRIBUTION  
REQUIREMENT FOR COMPETITIVE PRODUCTS

Docket No. RM2012-3

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 1  
(May 23, 2012)

The United States Postal Service hereby provides its response to Chairman's Information Request No. 1, issued on May 16, 2012. The response is due today. There was only one question. It is repeated verbatim and followed by the Postal Service's response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**Question 1**

Under 39 U.S.C. § 3633(a)(3), the Commission was required to promulgate regulations to “ensure that all competitive products collectively cover what the Commission determines to be an appropriate share of the institutional costs of the Postal Service.” In Docket No. RM2007-1, Order No. 43 (October 29, 2007), the Commission promulgated the “appropriate share” regulation. The Commission determined that “[a]nnually, on a fiscal year basis, the appropriate share of institutional costs to be recovered from competitive products collectively is, at a minimum, 5.5 percent of the Postal Service's total institutional costs.” 39 CFR 3015.7. Title 39 U.S.C. § 2011(a)(2) establishes the Competitive Products fund (CP fund). Funds deposited in the CP fund may be used to pay for “costs attributable to competitive products,” and “all other costs incurred by the Postal Service, to the extent allocable to competitive products.” 39 U.S.C. 2011(a)(2).

- (a) Please confirm that since the establishment of 39 CFR 3015.7 and the CP fund, no more than 5.5 percent of the Postal Service's total institutional costs has been withdrawn from the CP fund “[a]nnually, on a fiscal year basis” to pay for institutional costs. If not confirmed, provide the percent of the Postal Service's total institutional costs that has been withdrawn from the CP fund and paid towards institutional costs of the Postal Service each year since these rules became effective.
- (b) If part a. is confirmed, please explain why the Postal Service has not transferred more than 5.5 percent of the total institutional costs from the CP fund to pay for institutional costs in any year.
- (c) If part a. is confirmed, please identify all limitations, e.g., legal and/or accounting, on the amounts the Postal Service may, in its discretion, withdraw from the CP fund to pay for institutional costs.

**RESPONSE:**

- (a) Not confirmed. Following the close of each fiscal year, the Postal Service adjusts the Competitive Products Fund after accounting for all costs, including the sum of 5.5 percent of total institutional costs plus the imputed tax payment due from competitive products.
- (b-c) Not applicable. In any case, the Postal Service notes that, while section 2011(a)(2) establishes the Competitive Products Fund exclusively for two

purposes – the payment of costs attributable to competitive products, and the payment of costs allocable to competitive products – there are multiple actions that fall within these two general purposes. For example, in keeping with section 2011(a)(2), the Postal Service can use the Competitive Products Fund to prepay competitive products' shares of future years' institutional costs. It can also use the Fund to pay for capital improvements that benefit competitive products. Thus, the surplus that is presently in the Competitive Products Fund is not, as one party in this proceeding has asserted, trapped in the fund. Indeed, in its recent reports to Congress as to its expected cash position over the course of the coming year, the Postal Service has assumed the availability of the Competitive Products Fund for cash infusions into the general Postal Service Fund.